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Congress, the Deficit, and Budget Reconciliation

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President Clinton's veto of the 1995 reconciliation bill, the largest and most ambitious such legislation ever passed by Congress, was the first time a reconciliation bill was ever rejected by a president. It was also the first reconciliation bill in two decades to include a tax reduction rather than a tax increase. The fate of this bill, and its scope and contents, suggest the need to assess the evolution of reconciliation within the congressional budget process. In the early 1980s, Congress altered budget reconciliation procedures, putting in place a powerful new capability for deficit reduction. Reconciliation became the primary means within the budget process of restraining entitlement spending and increasing taxes as part of congressional efforts to reduce the deficit. Gramm-Rudman-Hollings magnified certain problems Congress encountered in using reconciliation to control entitlements, producing increased pressure to cut discretionary spending. While the Budget Enforcement Act of 1990 included new authority to use reconciliation to restrain entitlements, congressional spending priorities combined with the Peace Dividend to maintain the relative sanctuary entitlement programs have enjoyed. The limits of reconciliation as a deficit reduction tool, both in terms of increasing revenues and curtailing entitlements, are detailed. The inherent procedural advantages accorded to entitlements are contrasted with the treatment of discretionary programs, explaining in part the widening gulf between these two categories of spending. Congress has attempted, without success, to find alternatives to reconciliation. The failure of the seven-year, deficit-eliminating reconciliation bill of 1995 may indicate that certain limits on the use of reconciliation may have been reached.

INTRODUCTION

Spanning seven years and promising to completely eliminate the federal deficit rather than simply reduce it, the 1995 version of reconciliation had the potential to be the "mother of all reconciliation bills." Relying heavily on major cuts in Medicare, one of

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the most popular entitlement programs in the budget, the 1995 reconciliation bill also included, for the first time in the history of reconciliation, a major tax cut as one of its provisions. Another first for a reconciliation bill was achieved when the bill was vetoed by the President. These events suggest that certain dynamics associated with budget reconciliation may have run their course, setting the stage for recasting the role of reconciliation in the budget process.

Reconciliation became a major element in budgeting in 1995, as it will be in the near future, as a result of three developments. The first of these was the near passage of the constitutional balanced budget amendment in the spring of 1995, before Congress took up the budget resolution. The amendment passed the House with more than the necessary two-thirds majority, but was stopped short in the Senate by a single vote.[1] This vote underlines the strength of the mandate for deficit elimination. Reconciliation will be critical to this end, either as a major implementing device supporting a future balanced budget amendment or, as in 1995, as the primary legislative vehicle for implementing a budget resolution calling for deficit elimination.

The anticipated return of the deficit is the second development of significance. Congress and the Administration made noticeable progress in reducing the deficit in the early 1990s, whether the deficit is considered absolutely or as a percentage of the GDP. 1996 was the fourth straight year in which the deficit declined. According to the Congressional Budget Office (CBO), the deficit dropped from $290.4 billion and 4.7 percent of GDP in FY1992 to $116 billion and 1.5 percent of GDP in FY1996. However, CBO forecasts issued during 1996 indicated that the deficit would begin to grow again in FY1997, and to expand noticeably over the next decade. The deficit was estimated to be $402 billion and 3.3 percent of GDP by 2006.[2] Both a Democratic president and a Republican majority in Congress came to agree in 1995 that the deficit must be eliminated, their major differences centering initially on the number of years needed to accomplish this fiscal feat, but finally, and more importantly, on the precise spending and revenue mix to be imposed to zero the deficit.

The underlying cause of the projected growth in the deficit is the third development inviting attention to reconciliation. "Growing deficits," CBO reports, "stem from entitlement spending, particularly the major health care programs."[3] If rising deficits driven by entitlement spending are the problem, reconciliation has been the prescribed congressional procedure for imposing solutions.[4] However, the problem may have become too unwieldy to be resolved with a single reconciliation bill.

Reconciliation in 1995 was the most fiscally far-reaching of all reconciliation bills passed to date. The budget resolution included reconciliation instructions calling for more than $626 billion in entitlement cuts over seven years, *averaging nearly $90 billion per year.*[5] By comparison, the *total first year impact of all entitlement cuts in all reconciliation bills passed between 1981 and 1991 is just over $90 billion.*[6] The sheer scope of the bill, the uncertain impact of the Medicare and Medicaid cuts and the fact that it also included a major tax cut were among the major factors explaining the presidential veto and the budget impasse that followed.

The extraordinary nature of reconciliation in 1995 should not obscure the conflicts and problems that have characterized the evolution of this important set of procedures. Reconciliation was one of the first and most important modifications of the congressional budget process originally established in 1974 (see Figure 1). It became vital to congressional budgeting during the 1980s and 1990s, a period dominated by record deficits and repeated efforts to reverse this trend. Congress made little progress in reducing the deficit in the 1980s, but made some headway through the mid-1990s.

The congressional record with respect to procedure and its impact on deficit reduction is explained in part by the fact that what Congress does reasonably well—controlling discretionary spending—has become increasingly marginal to deficit reduction. Congress has been less effective in curbing entitlement spending and raising taxes, the typical objectives of reconciliation. Budget reconciliation has not yet provided the political traction necessary to level the playing field among the spending and revenue elements that determine budget outcomes.

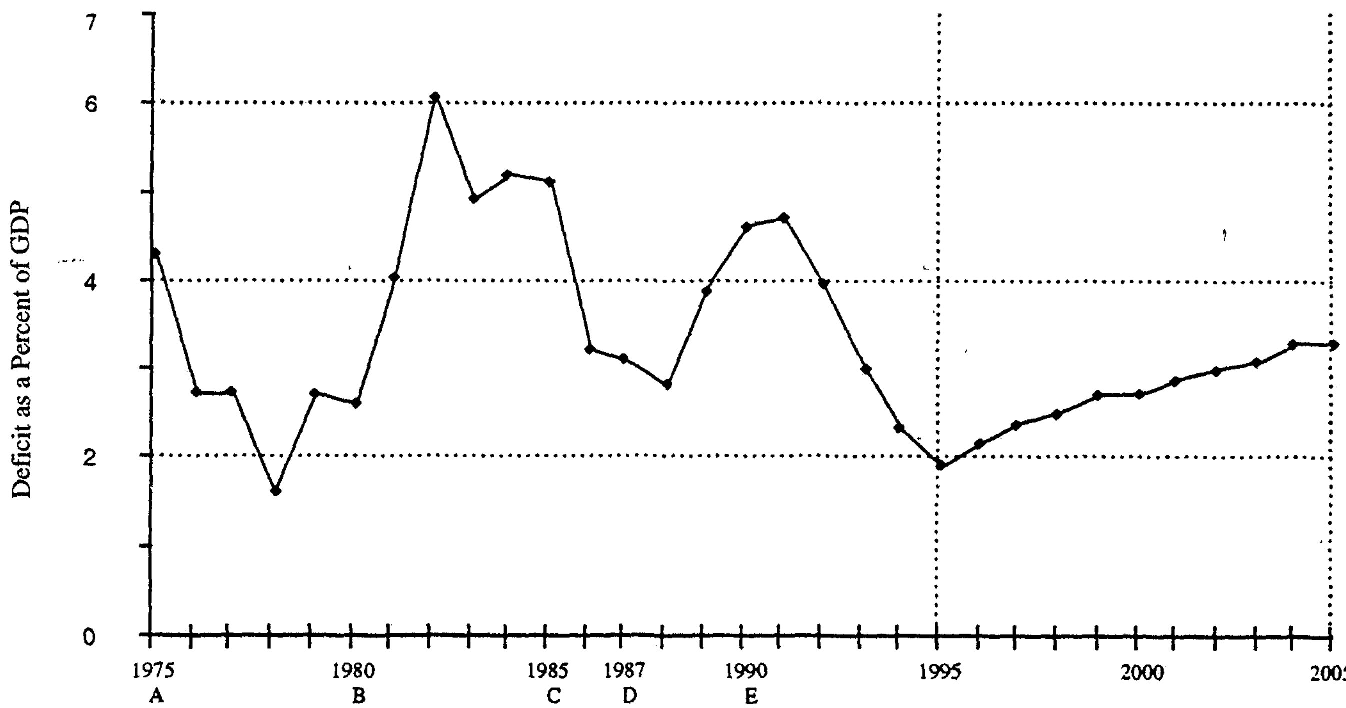
There is no pretense here that a procedure such as reconciliation can resolve the fundamental policy and political problems thought to account for persistent deficits. Budget outcomes are determined by a complex of variables, notably the spending and taxing preferences of presidents and members of Congress and the state of the economy. For example, the reluctance of elected officials to cut popular entitlement programs or raise taxes is rooted in the notion that voters will not support such policies.

Furthermore, the very concept of an entitlement is, to some extent, logically inconsistent with a budget process intended to review programs and make adjustments each year. To the contrary, the essence of entitlement programs is "the absence of annual decisions on funding levels."[7] Entitlements represent open-ended promises made to citizens by the government. As Schick notes, "If Congress wants to control through annual appropriations, it cannot provide a genuine entitlement; if it wants to provide beneficiaries with secure payment, it cannot determine the amounts to be spent through the appropriations process."[8] Wildavsky put it even more bluntly: "budgeting and entitlement are incompatible concepts."[9]

Nonetheless, the same electoral calculus that discourages votes against entitlement cuts and tax increases encourages elected officials to pledge support for deficit reduction and balanced budgets, to be realized through constitutional amendments or otherwise, e.g., reconciliation. Procedure can assist legislators in integrating such conflicting policy goals. That is one of the justifications offered for the use of reconciliation.[10] But the budget process rules addressing reconciliation have proved problematic, resulting in intensified pressure to reduce discretionary spending as deficits continued to grow.

This article examines the employment of reconciliation as one of several procedural means available to Congress for deficit reduction. The original purpose of reconciliation and its transformation into a major budget policy tool are described first. The implications of Gramm-Rudman-Hollings and the Budget Enforcement Act are then examined, followed by an assessment of significant and recurring problems associated

FIGURE 1
Budget Reforms and the Federal Deficit



A. Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344)
B. First Reconciliation Bill Cutting Entitlements and Raising Taxes (P.L. 96-499)
C. Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings I) (P. L. 99-177)
D. Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Gramm-Rudman-Hollings II) (P. L. 100-119)
E. Budget Enforcement Act of 1990 (P.L. 101-508)

Sources: Congressional Budget Office, Reducing the Deficit: Spending and Revenue Options, Aug. 1996. Projections for the period FY98–05 assume that discretionary spending grows with inflation. Savings from the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 are not included.

with implementing reconciliation. Attempts to supplement or circumvent reconciliation by changing the procedures for entitlement budgeting are noted. This background informs an evaluation of reconciliation during the 104th Congress (1995–96) and the lessons it holds for the role of reconciliation in the deficit reduction enterprise.

THE DEVELOPMENT OF RECONCILIATION

Budget reconciliation is inherently complex. Under the Congressional Budget Act of 1974 (CBA), the original purpose of reconciliation was to implement the spending and tax policy decisions agreed to in the final or binding congressional budget resolution.[11] During the early period under the CBA, Congress passed multiple budget resolutions, the first establishing targets for spending and revenue, while the final version (usually the second) set binding ceilings for spending and floors for revenues. Reconciliation was to be used to implement the final, binding resolution. Reconciliation could be used to adjust any and all kinds of federal spending for this purpose.

The problem with this approach was timing. The use of multiple budget resolutions required Congress to vote twice in a single year on "awful aggregates."[12] Worse, the second budget resolution solution, to be implemented through reconciliation, had to be completed by September 15, just fifteen days before the beginning of the next fiscal year. All of the problems embedded in program cuts and tax increases were compounded by requiring significant changes at the end of a fiscal year, which was also frequently just before an election.

THE TRANSFORMATION OF RECONCILIATION

Congress dispensed with multiple budget resolutions, first in practice and then by law, which ameliorated but did not completely resolve the timing issue.[13] The first and only budget resolution, the deadline for which is April 15, is now the starting point for reconciliation. Simultaneously, reconciliation came to focus upon a single important category of federal spending, i.e., entitlements.[14]

Reconciliation and the Budget Resolution

Reconciliation occurs as the result of two sets of decisions. The first is agreement by congressional majorities to combine entitlement spending reductions and tax increases with cuts in discretionary programs as part of a deficit reduction package. This agreement incorporated in the budget resolution is frequently, though not always, the result of budget summits.[15] It may emerge, as in 1993, from bargaining on budget totals involving the President, congressional leadership, the parties and ideological coalitions within Congress. In 1995, the reconciliation bill passed by Congress and vetoed by President Clinton was the product of Republican party control in Congress and the commitment of that party's leadership to deficit elimination within seven years. Summitry followed President Clinton's December 6 veto of reconciliation, rather than preceding its passage as in previous years.

Reconciliation in 1996 was completed without a summit. The 1996 budget resolution called for a rolling, three part reconciliation process. The first bill was to address Medicaid and welfare, the second, Medicare, and the third, a large tax cut. Of the three, only part of the first was completed. The resulting bill, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, focused exclusively on welfare reform.

Reconciliation begins with instructions in the budget resolution directed to the committees with jurisdiction over the entitlement programs and taxes targeted for adjustment. Committees are instructed to make changes in statutory law, in the form of spending cuts or tax increases, as necessary to produce the net deficit reduction, or budgetary savings, stipulated in the instructions. The resolution does not indicate how the targets are to be achieved, that is, which programs are to be cut or which taxes are to be raised to meet the overall targets given to the committees.

The Politics of Reconciliation Legislation

The second set of decisions associated with reconciliation encompasses the politics of the bill comprised of all of the legislative adjustments offered by the committees identified in the resolution instructions. The House and Senate Budget Committees compile the statutory proposals reported out by these committees into a single omnibus reconciliation bill. As with other legislation, each chamber develops its own version of reconciliation, operating under the parameters set by the budget resolution. Governed by special rules to ensure timely passage and to safeguard the deficit reduction they are intended to achieve, reconciliation bills are subject to floor and conference committee debate, amendment and approval before final passage and presidential consideration.

Timely action on reconciliation legislation remains a problem, as contemporary (post-1980) reconciliation bills still come late. When reconciliation instructions were included in budget resolutions, those resolutions were usually passed two months or more beyond the April 15 deadline. The average time between passage of the budget resolution and enactment of reconciliation is 148 days. Most of this time (about 60 percent) was used to get the reconciliation bills through the House and Senate. The remaining time was needed to complete the conference agreement.[16] Congressional action on the vetoed 1995 reconciliation bill was not completed until November 17, more than six weeks into fiscal year 1996 and more than five months past the June 15 deadline Congress has set for completion of reconciliation.

Reconciliation enables Congress to consider all spending, as well as tax increases, on a more or less equal basis as means to the end of deficit reduction. The larger the share of deficit reduction assigned in the budget resolution to entitlement cuts and tax increases in relation to discretionary spending cuts, the more important reconciliation becomes. If the tax increases and entitlement spending cuts contemplated by the reso-

TABLE 1
Deficit Reduction from Reconciliation, 1980–1996[a]
(Total budgetary savings from entitlement cuts and tax increases, in billions of then-year dollars)

	Deficit Reduction	Years Covered by Reconciliation Bill
1980	8.2	1
1981	130.1	3
1982	129.1	3
1984	63.0	3
1986	29.9	3
1987	39.6	2
1989	14.7	1
1990	233.3	5
1993	317.5	5
1995	626[b]	7
1996	54.5	6

[a] The important exception to this table is the savings achieved through the caps placed on discretionary spending in 1990, extended in 1993 and 1995. These caps, which accounted for another $190 billion in savings in 1990 and $69 billion in 1993, became law as part of reconciliation bills.

[b] This is the amount of deficit reduction that would have occurred had the original reconciliation bill passed by Congress and vetoed by President Clinton become law.

Sources: Cloud and Hager 1993, 1066-67, CBO, Reducing the Deficit 1994, 5, 7, CBO, The Economic and Budget Outlook: An Update 1995, 36, and CBO Federal Budget Effects of H.R. 3734, The Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

lution are to be realized, the committees with jurisdiction over these programs must be persuaded to act. But the fiscal policy represented by the budget resolution is not self-implementing; procedural obstacles, including some associated with reconciliation, frequently limit its achievement.

Congress passed the first successful reconciliation bill targeting both entitlement spending and taxes in 1980.[17] However, the real political debut of reconciliation as a budget policy device was the 1981 reconciliation bill. It was orchestrated by David Stockman, President Reagan's Director of OMB, Senator Domenici, then (as now) the new Chairman of the Senate Budget Committee, and Republicans and "boll weevil" Democrats in the House.[18] Stockman's observation that the administration and its supporters in Congress "wanted something big and new and rolling fast to break down parochial resistance" conveys the shift in the scope and purpose of reconciliation that took place that year.[19]

Reconciliation became a more or less regular and extremely factious aspect of congressional budgeting in the 1980s and early 1990s (see Table 1). In eleven of the sixteen years between 1980 and 1996, reconciliation instructions were included in the congressional budget resolution, and in each of those years budget reconciliation bills were passed.[20] While the CBA originally provided for reconciliation bills that covered a single year, the timeframe has been extended. Three-year reconciliation bills were the norm in the 1980s, five-year bills were passed in 1990 and 1993, and a six-year bill passed in 1996. The seven-year, deficit elimination reconciliation bill passed in 1995 and vetoed by the President is the most comprehensive to date.

THE IMPACT OF GRAMM-RUDMAN-HOLLINGS: SEQUESTRATION VERSUS RECONCILIATION

The Gramm-Rudman-Hollings (GRH) chapter in budgeting (1985–90), presented a special set of problems for reconciliation. The GRH bills (GRH I in 1985 and GRH II in 1987) set specific deficit targets that Congress was obliged to meet. These targets were designed to eliminate the deficit, by 1990 in GRH I, extended to 1993 in GRH II. While it would appear that reconciliation would be the natural ally of this approach to budgeting, events and incentives produced a different outcome.

GRH magnified the limitations of reconciliation and exacerbated the procedural advantage entitlements enjoyed over discretionary programs. This was a consequence of the fact that those opposing entitlement cuts or tax hikes could prevent them from being implemented through delaying tactics. Delay was possible because of the manner in which GRH enforced procedures for hitting its deficit targets, i.e., sequestration. If Congress was unable to meet the GRH deficit target for a given year through its regular budget procedures, including reconciliation, a sequester was required. But these across-the-board spending cuts were, by law, targeted overwhelmingly on discretionary spending, as almost all entitlement programs were exempted by statute.[21]

The GRH sequester mechanism meant that time was on the side of those who resisted reconciliation and the entitlement cuts and tax increases it required. If reconciliation bills were kept in committee long enough, a sequester cutting discretionary spending would be triggered. In this manner the tax increases and entitlement spending cuts stipulated in the budget resolution as necessary to hit the GRH target would no longer be needed for that purpose. Instead, the entire burden of deficit reduction could be shifted to discretionary spending. Under such circumstances, reconciliation delayed was reconciliation denied.

Under GRH, sequestration and reconciliation were antithetical propositions. The former reduced the deficit primarily by cutting discretionary spending. The latter is used when tax hikes and entitlement spending cuts are to be combined with discretionary spending for the same purpose. Forcing sequestration by delaying reconciliation allowed the committees with jurisdiction over entitlement programs and taxes to shift the burden of deficit reduction to discretionary spending, the province of the Appropriations Committees.

The Chairman of the House Appropriations Committee, where discretionary appropriations bills originate each year, reacted bitterly to this practice: "So long as sequester remains the method of first and last resort to reach deficit reduction targets, the natural reaction of authorization committees instructed to make painful cuts in their [entitlement] programs is to punt and let sequester inflict the pain elsewhere."[22]

THE IMPACT OF THE BUDGET ENFORCEMENT ACT: GRANDFATHERING THE ENTITLEMENT BASELINE

With passage of the Budget Enforcement Act of 1990 (BEA), Congress apparently began a new era in budgeting.[23] The BEA signaled a shift from deficit reduction mandated by enumerated deficit targets—the GRH tactic—to an indirect approach called spending control. But in terms of the allocation of deficit reduction between entitlements and discretionary spending and the role of reconciliation, the impact of the BEA has been nominal. The BEA simply made explicit the same budget policy preferences characteristic of the pre-BEA period.

Until 1995, deficit reduction under BEA-mandated spending control has been accomplished through a combination of spending restraint and tax increases. Spending restraint, in turn, has consisted primarily of discretionary spending cuts, concentrated on defense. The allocation of budgetary savings realized in the five-year deficit reduction bills enacted in 1990 and 1993 illustrates the point. The two bills were credited by CBO with a total of $915 billion in deficit reduction. Tax increases accounted for $399 billion, or 44 percent. Discretionary spending was credited with $259 billion, or 28 percent of total savings, because these reconciliation bills incorporated and then extended and lowered the BEA spending caps. The savings achieved from entitlement cuts was $136 billion, or 15 percent, about half the amount contributed by discretionary cuts and one-third of the tax increases. The entitlement savings were slightly greater than the savings generated by reduced payments for debt service ($106 billion and 12 percent).[24]

The savings achieved in discretionary spending under the BEA have been implemented through a series of statutory caps set at levels below the conventional baseline for discretionary spending, i.e., the previous year's level plus inflation. For the first three years under the BEA (FY 1991–93), separate caps were set for defense, domestic and international discretionary spending. There were also caps on total discretionary spending, originally set to expire in FY 1995, later extended through FY 1998. The 1995 and 1996 budget resolutions restored separate caps, this time dividing discretionary spending between defense and non-defense.[25] However, in both instances the separation was contingent upon completion of reconciliation.

During the first three years of separate caps, all deficit reduction from discretionary spending came from the defense budget.[26] Congress went beyond the deficit reduction required by the caps by appropriating *below* them in two of the first three years under the BEA. Again, defense spending was the target, accounting for $19.5 billion, or 82 percent, of a total of $23.8 billion in discretionary savings beyond what was required by the BEA caps.[27]

Spending control for entitlement programs under the BEA has another meaning. The only requirement is that Congress avoid exacerbating the deficit by adding new entitlement programs that are not paid for according to the BEA formula. CBO notes, "Rejecting a decade of complaints from some quarters about the growth of entitlement spending, the new law [BEA] allows entitlements to be increased without limit, as long as the increases are paid for by new taxes or fees."[28]

The BEA also included some statutory changes to reconciliation procedures that could provide the Budget Committees increased leverage to enforce reconciliation instructions. Under a special process, the Senate Budget Committee is given new authority to substitute its own spending cuts if the committees targeted in the Senate reconciliation instructions fail to comply.[29] The House Budget Committee is allowed to introduce a "reconciliation directive in the form of a concurrent resolution."[30] This new resolution would require revenue increases should the deficit-neutral rule affecting taxes and entitlements be broken. Finally, the BEA strengthened the Byrd Rule and extended its applicability to the House.[31]

To implement spending control, the BEA includes an elaborate new sequester mechanism.[32] These sequesters are designed to enforce limits on both types of spending. On the discretionary side, the BEA requires "mini sequesters" if Congress appropriates above the caps, and two extremely small mini sequesters have been enforced.[33]

The entitlement sequester is designed to enforce the PAYGO approach to entitlements. A PAYGO sequester is triggered by new entitlement spending that has not been offset by either tax increases or cuts in existing entitlements. A PAYGO sequester would reduce existing entitlements to pay for new ones. The BEA also modified slightly the list of entitlement programs subject to sequester under GRH. However, the only notable change to this list is to allow Medicare payments to providers to be cut up to 4 percent, as compared to 2 percent under GRH.[34]

PAYGO essentially codifies legislative policy in effect since the mid-1980s, that is, the assumption that Congress cannot afford to create new entitlement programs unless it can offset their costs.[35] The BEA sequester rules converted this policy into law and put new entitlement programs, formally and legally, into a zero sum relationship with existing entitlement programs. More importantly, sequestration of either discretionary or entitlement spending is now linked to the BEA spending controls rather than deficit targets as under GRH. Those controls, until 1995, have relied upon discretionary spending, especially defense, for deficit reduction, while the allowable deficit is adjusted to accommodate growth in spending for existing entitlements.

The combination of moving deficit targets and protection for existing entitlement programs minimizes incentives to restrain the growth of entitlement spending. Not only is there little inducement to propose reforms, there is reason to expect supporters of the more "exposed" discretionary programs to attempt to "entitle" the beneficiaries of this spending.[36] This is a natural result of the fact that under the BEA, the baseline for entitlement spending is protected, while the baseline for discretionary spending declines. In effect, spending for entitlement programs under the BEA has no ceiling, and spending for discretionary programs, such as defense, has no floor. As a result, the procedural sanctuary provided to entitlement programs has been reinforced and the gap between spending for discretionary programs and entitlements has widened.

There have been no PAYGO sequesters to date and the new authority granted to the Budget Committees with respect to reconciliation remains unused. That is because the BEA does not significantly change the incentives affecting reconciliation. By substituting spending control for deficit reduction as the primary focus of congressional budget policy, the BEA ratified the notion of a peace dividend, i.e., anticipation that defense budgets can be substantially reduced now that the Cold War is over. This expectation has been realized, as real defense spending dropped 25 percent between 1990 and 1995 and the savings have been applied against the deficit.[37]

Spending control through defense cuts bought Congress some time in the struggle against the deficit. However, these cuts were insufficient to offset the results of the recession, the savings and loan bailout and the growth in entitlement spending. While adhering to the discretionary spending caps and PAYGO, Congress sought further deficit reduction—in fact, deficit elimination—in 1995 and 1996.

The 1995 budget resolution represented two important departures from the trends evident under the BEA with respect to treatment of entitlements and discretionary spending. First, entitlements accounted for the lion's share of savings under the resolution. Entitlement program reductions, meaning reduced rates of growth in projected spending, would have supplied 70 percent of the deficit reduction needed to balance the budget by 2002.[38] Discretionary spending cuts contributed only 15 percent (with savings from reduced debt service making up another 15 percent).[39]

The second major departure was the composition of the discretionary cuts. While discretionary spending caps were extended and lowered, defense was no longer expected to supply the necessary savings. Defense spending would increase in nominal dollars under the new caps, though it would remain 17 percent below what would be needed to keep pace with inflation. Non-defense discretionary spending, however, drops precipitously, by 10 percent in nominal dollars and 30 percent when inflation is considered.[40] The 1996 resolution also demanded more cuts from entitlements than from discretionary spending, but the difference narrowed considerably. A smaller tax cut (reducing the size of the necessary spending offsets) made smaller entitlement cuts possible, and the resistance Republicans encountered in 1995 in defending their larger Medicare cuts made them necessary.

THE LIMITATIONS OF RECONCILIATION: MAINTAINING REVENUES

In 1975, operating under the original, multiple budget resolution format described above, Congress used reconciliation to expedite a tax reduction. Between 1975 and 1995, Congress took a different tack, attempting to raise taxes through reconciliation as part of an effort to reduce the deficit. The first problem confronting Congress in this effort was the fragmentation of tax policy under the CBA.

Reconciliation is a relatively new vehicle for legislating tax policy. It was imposed upon an established system for considering tax bills developed in Congress over many decades, a system with its own political and procedural logic. This pre-existing system, the locus of which was the House Ways and Means Committee and the Senate Finance Committee, "functioned as a virtually self-contained component of the legislative process."[41] While the Budget Act generally assumes that deficits are the product of both spending and taxing decisions, it has been only partially successful in replacing the older, residual system with a more comprehensive approach integrating tax bills with budget resolutions and reconciliation.

Tax increases were part of every reconciliation bill passed by Congress since 1980, with three exceptions. The first of these was the 1981 reconciliation bill, which included no tax increases. In fact, Congress passed and President Reagan signed separate legislation that year reducing taxes by an amount larger than the spending cuts in the reconciliation bill.[42] The other two occurred in 1995, when major tax reductions were actually included in the 1995 and 1996 budget resolutions as part of the reconciliation instructions (see below). However, the 1995 tax cut was part of the reconciliation bill President Clinton vetoed and the 1996 reconciliation bill, which did become law, cut welfare benefits rather than taxes.

Even under the common practice whereby reconciliation instructions called for tax increases, both Congress and the executive branch have supported tax cuts at odds with the deficit reduction policy established by the budget resolution. In the 1970s and 1980s, such tax cuts, disconnected from the budget process, took more money out of the Treasury than was put in by the tax increases in reconciliation.[43]

Tax policy, which is the net effect of revenue bills passed pursuant to the budget resolution as well as those outside the budget process, deviates from and frequently confounds budget policy, which is the revenue assumptions in the budget resolution to be implemented by reconciliation. This occurs for several reasons. One source of deviation is the view that cutting taxes is a rudimentary means of controlling the size of government. If big budgets mean big government then smaller budgets, the result of reduced revenues, may induce smaller government. This is the "children's allowance theory" articulated by President Reagan in his 1981 state of the economy speech.[44]

Tax policy may also deviate from budget policy when taxes are treated as a form of expenditure. "Tax expenditures," Havemann observes, "can be regarded as the tax code's equivalent of direct federal spending."[45] As political currency, tax preferences may be particularly attractive to lawmakers and their constituents when spending is constrained by deficits or by spending control measures such as the BEA caps.

There was no congressional schizophrenia on tax policy in 1995 and 1996. Instead of raising taxes through the regular budget process (i.e., the budget resolution and reconciliation) while cutting them outside it, Congress incorporated a major tax reduction in the budget resolution both years and in 1995 and implemented the cut through reconciliation. The 1995 tax cut, according to a Republican economist, was the

TABLE 2
Discretionary and Entitlement Spending, 1975–2005
(outlays in billions of current dollars)

	1975	1985	1995	2005
Entitlements	169.1	450.4	839.4	1557.0
% of GDP	10.9	11.0	11.7	13.6
% of Total Spending	50.9	47.6	55.3	62.3
Discretionary	157.8	415.7	545.7	671.0
% of GDP	10.2	10.1	7.6	5.8
% of Total Spending	47.5	43.9	35.9	26.8

Sources: CBO, *The Economic and Budget Outlook: Fiscal Years 1997–2006*, January 1995 and *The Economic and Budget Outlook: An Update*, August 1995.

Novocain necessary to dull the pain of the massive spending cuts enacted to reduce the deficit.[46] The 1996 tax cut did not materialize.

While the implementation process was complex, the logic was straightforward.[47] The key was the fiscal dividend anticipated if all of the spending cuts contained in the reconciliation bill were achieved. If CBO certified that these spending cuts were sufficient to balance the budget by 2002, additional savings—the fiscal dividend—would occur. The dividend would consist of increased government revenues generated by higher economic growth rates and lower federal interest payments on the debt. In both cases, the savings would derive from the lower interest rates CBO expected from a balanced budget.

While the President's 1995 budget also assumed tax cuts and a fiscal dividend, the congressional budget resolution included a much larger cut. It called for a $245 billion reduction in revenues, a sum larger than the $182 billion in Medicaid savings and nearly equal to the $270 billion in Medicare savings. While the economic logic of the tax cuts was clear, its political logic was less convincing. The President and congressional Democrats severely criticized the tax cut in the budget resolution, arguing that it was the reason for the significant cuts in programs such as Medicaid and Medicare.

THE LIMITATIONS OF RECONCILIATION: CONTAINING ENTITLEMENTS

Two kinds of difficulties confront reconciliation on the spending side, where the goal is to reduce the deficit by restraining the growth of entitlement programs. The first is inertia and the second is the vulnerability of reconciliation to co-optation. The inertia problem arises from the fact that the budgetary status quo both shelters entitlements from spending cuts and favors increased spending for them. The co-optation problem arises once the status quo is overcome and reconciliation is initiated to reduce entitlement spending. Before examining these problems, a brief review of recent and projected spending for entitlement and discretionary programs is in order.

The Emergence of the Entitlement-Discretionary Spending Gap

The most dramatic surge in entitlement spending took place between 1966 and 1976, when it jumped from 30 percent of the budget to 51 percent.[48] The newly established health care programs (Medicare and Medicaid) plus expansions in Social Security benefits accounted for most of this increase. Entitlement spending first exceeded discretionary spending in 1974, the year Congress adopted the CBA. The gap has continued to widen, driven by rapid increases in entitlement spending. Pending major shifts in budget policy, entitlement spending is projected to grow at an average annual rate of 6.8 percent for the remainder of this decade. Discretionary spending will grow at 3.4 percent per year during this period, half the rate of increase for entitlements.[49] From 55 percent of total spending in 1995, entitlements will account for 62 percent within ten years.[50] (See Table 2.)

These structural changes in federal spending are symbolized by a milestone passed in 1993. That year, Social Security, the largest entitlement program, exceeded defense, the largest discretionary program, as the largest single spending program in the federal budget.[51]

The composition of federal spending shifted at least in part as a consequence of differences in the means available to Congress to set spending levels for the two categories of spending. The budget process incorporates an explicit bias toward entitlement programs and against discretionary spending. The result is that entitlement spending is subject to continuous aggregation, while discretionary spending is subject to continuous negotiation. The policy priorities that have shaped this environment place limits upon the effectiveness of reconciliation.

Procedural Inertia: Entitlements at Rest Remaining at Rest

Entitlement programs exist by virtue of statutes guaranteeing payments to beneficiaries.[52] If Congress does nothing regarding these statutes in the course of the budget process, i.e., passage of reconciliation, the spending they generate continues. For discretionary programs, the reverse is true. Absent legislative action in the form of budget resolutions and authorization and appropriations bills, discretionary programs are not funded.

Procedural Inertia: Entitlements in Motion Remaining in Motion

Entitlement programs enjoy more than the relative advantage of the legislative status quo. Annual spending increases are generated by cost of living allowances (COLAs) and other indexing provisions written into entitlement statutes. By the beginning of the

1980s, half of federal spending was directly or indirectly linked to the Consumer Price Index or some other economic barometer, the bulk of which was comprised of entitlements.[53]

The momentum of entitlement spending is best captured by examining the elements that account for the entitlement baseline. CBO projects an increase of $780 billion for that baseline between 1996 and 2006. Of this amount, 39 percent is attributed to increases in Medicare and Medicaid unrelated to caseloads or automatic increases in reimbursement rates, 21 percent to COLAs and 18 percent to increases in caseloads for all entitlements.[54]

Looking Where the Light is Good: Cutting Discretionary Spending

The procedural inertia characteristic of entitlement programs is less evident in the treatment of discretionary programs. These programs must receive new resources every year through the budget process. For these programs, at least two of the three iterations of the budget process—the budget resolution, authorizing legislation and appropriations—must be successfully negotiated every year. Discretionary programs with multi-year authorizations are not at risk during this phase of the budget process; defense, subject to annual authorizations, must always compete in all three phases. Programs that do not succeed at every stage where funding is considered are in jeopardy. Advocates of deficit reduction are offered numerous opportunities to reduce discretionary spending.

Discretionary programs face an additional challenge from the rescission process. Funds which have been appropriated but not yet used may be canceled, or rescinded, as the result of a presidential proposal and congressional approval. Between 1974 and 1987, presidents proposed rescissions in excess of $58 billion, of which Congress approved $19.7 billion, or about one-third.[55] In 1992 alone, President Bush requested $7.9 billion in discretionary spending rescissions, and Congress approved the full amount and $300 million more.[56] In 1995, Congress rescinded $11.8 billion, the largest bill of its kind ever passed.[57] These "reverse appropriations bills" target discretionary programs exclusively.

Coopting Reconciliation

As "must pass" legislation, reconciliation has become the target for proposals unrelated to, or at odds with, deficit reduction. Measures increasing spending for health care programs have been particularly noticeable in this regard. Of the seven expansions of Medicaid between 1984 and 1990, for example, six were put into effect by virtue of their attachment to reconciliation bills.[58] While congressional tax policy, as noted above, frequently supersedes reconciliation, entitlement policy resists and corrupts it.

The Budget Committees, as ostensible guardians of the integrity of the budget resolution, found themselves in a constant and frequently losing struggle to prevent the co-optation of reconciliation. Reconciliation bills may fail to achieve their deficit reduction objectives in part because of the limited power wielded by the Budget Committees over their content. The Budget Committees are not permitted to substantively revise the language submitted by committees targeted for entitlement cuts or tax increases in the resolution. They must, Schick notes, use "pressure and persuasion to get recalcitrant committees to produce cutback legislation."[59]

The reconciliation process of 1989 illustrates this problem. The Senate Budget Committee was compelled to report out an FY 1990 reconciliation bill cutting some agricultural subsidies, but also adding some new ones. Senator Gramm observed, this bill "that strikes eggplants and inserts eggplants, kiwi fruit, nectarines and plums, is a very far cry from the seriousness that everybody claims to have about reducing the deficits."[60]

The House version of reconciliation in 1989, referred to by the Washington Post as "Wreckonciliation," contained even more provisions increasing rather than decreasing the deficit.[61] Supported by the Administration, Congress, or both, these provisions included programs addressing drug use, child-care, medical care for the poor, catastrophic health-care protection for the elderly, drought relief for farmers, aid to Poland and Hungary, a space mission to Mars, a crackdown on crime and a bailout for ailing savings and loan institutions.[62]

When the Senate took up reconciliation that year, Senator Domenici, the ranking Republican on the Senate Budget Committee, submitted a list of extraneous provisions in the House bill. These provisions were either irrelevant to spending or taxing or they increased the former or decreased the latter, in which case they defeated the purpose of reconciliation. Domenici cited 156 such provisions in the House reconciliation bill.[63] Senator Jim Sasser, Chairman of the Senate Budget Committee, complained that the reconciliation bill "has become the vehicle for virtually everything but deficit reduction."[64]

There were no major co-optation problems in the 1995 reconciliation bill. It was anticipated that committees instructed to report reconciliation legislation to the Budget Committees would need more time than in an ordinary year, given the size and nature of the spending and tax cuts. While some of the changes to the health care programs reflected controversial policy and questionable assumptions about patient or provider behavior, there were no noticeable or successful attempts in 1995 to incorporate program increases into legislation designed to make program cuts.

THE FUTILE SEARCH FOR AN ALTERNATIVE TO RECONCILIATION

Reconciliation, or other legislative procedures that effectively join tax increases or (more likely) entitlement reductions to other deficit reduction measures, will remain important as Congress continues to grapple with the fiscal consequences of the escalation of entitlement spending and its impact on the deficit. At the same time, however, efforts continue to find or fashion procedures that might alleviate the need to implement reconciliation and thereby avoid the politics that it entails.

Entitlement Caps

In December, 1991, the House Budget Committee, then chaired by Leon Panetta, issued a report indicating the urgent need to control entitlement spending.[65] The report included a recommendation to establish a cap on entitlement spending.[66] The Senate actually debated—and defeated—a similar proposal as part of its deliberations on the budget resolution in 1992,[67] and the Bush Administration endorsed entitlement caps in its FY 1993 budget proposal.[68]

Caps on entitlements presume agreement on the programs to be cut and the size of the cuts. This is the same set of problems engaged when Congress decides in the budget resolution that reconciliation will be necessary to include entitlement cuts as part of total deficit reduction. The prospect of employing entitlement caps simply returns Congress to the underlying budget and policy problems, as evidenced by the Senate experience in 1992.

Entitlement Review

Another alternative is the innocuous "entitlement review process" adopted by the House. Citing concern for "our ability to project, monitor and pay for rising health care costs" and other entitlement programs, the House enacted an entitlement review process in 1993 and renewed it in 1994.[69] This process required the President to set targets for entitlement spending. If OMB estimated that entitlement spending would exceed these targets, the President would be required to either recommend offsets (spending cuts or tax increases) or an adjustment of the targets. The House, in turn, had to choose between initiating reconciliation if the targets were breached or voting to adjust the targets. Although the Senate refused to accept this new requirement, the President put it into effect by executive order.[70]

This procedure affects the incentives associated with entitlements and reconciliation only at the margin. The targets at issue are the same estimates for entitlement spending growth regularly reported to OMB and Congress. By adding another report gauging the expansion of entitlement spending, this requirement merely documents what is already well known, i.e., that entitlements are programmed for growth. It will be important only if that growth exceeds expectations, which is unlikely. The review process is a saddle for a horse that is already out of the barn.

Budget Reforms in 1995: Preaching to the Choir

Congress considered a number of measures in 1995 that would alter the manner in which it addresses major categories of spending, but none of them became law. More importantly, most of them targeted discretionary programs, where spending control does not appear to be a problem. For example, the House passed a series of measures in 1995, the effect of which (had the Senate agreed—which it did not) would have been to further constrain discretionary spending. A "lockbox" provision allowed members to amend appropriation bills so as to "lock up" approved cuts, i.e., convert the cuts to deficit reduction, rather than allowing reductions in one appropriations bill to be spent in another. A change to the baseline for discretionary spending eliminated the traditional adjustment for inflation displayed in congressional budget documents used to determine annual adjustments. A third bill prohibited the attachment of unrelated measures to emergency appropriations measures.

In 1996, Congress approved, and President Clinton signed, a bill providing the functional equivalent of a line item veto. This new authority, significantly enhancing the President's leverage on rescissions, will be available to reduce selected items in all discretionary spending programs beginning January 1997. While the bill also allows the President to rescind spending for entitlement programs, it only applies to new or expanded entitlements, a problem already addressed by PAYGO.

SUMMARY AND SPECULATIONS

With the exception of the 1996 reconciliation bill targeting welfare, few meaningful reforms affecting entitlements and the budget have been adopted to date. The welfare reform bill is significant less for its contribution to deficit reduction than for the statement it makes about entitlement policy. It represents a tactical retreat from the concept of entitlement. Where PAYGO demands only deficit neutrality and protects existing entitlements, the welfare reform bill requires deficit reduction from existing welfare entitlement programs.

For the most part, Congress has continued to rely upon reconciliation to restrain entitlement spending as part of its deficit reduction policies. However, the employment of reconciliation over the past sixteen years, culminating in the ambitious and unsuccessful 1995 bill and the partial welfare entitlement rollback in 1996, has changed in several respects and certain limits may have been revealed.

The timeliness of reconciliation remains a problem. Reconciliation bills covering five or more years, multiple programs and large budgetary savings are inherently difficult to complete within a single budget year. Divided government adds further difficulty and delay. The perception that the political pain of spending cuts must be spread widely within the reconciliation bill to insure its passage accounts for one element of this expansion. In 1995, this factor was compounded by the need to find enough savings to completely eliminate the deficit, compelling the most comprehensive reconciliation bill in congressional history. It is worth noting that of the broad and ambitious agenda of entitlement and tax cuts reflected in the budget resolutions during the 104th Congress, only one major bill became law. That bill targeted a single relatively unpopular set of entitlement programs (welfare) and generated a modest $9 billion per year in deficit reduction.[71]

The logic of ever-expanding reconciliation bills explains their extension into discretionary spending control. The spending caps established in the BEA of 1990 (itself enacted through reconciliation), extended in 1993 and attempted again in 1995, were put in place through reconciliation bills.[72] The caps made a major contribution—a total of 28 percent—to deficit reduction in 1990 and 1993, primarily by banking the peace dividend. Their contribution in the 1995 bill—15 percent—was much less significant. This may be the case in future reconciliation bills as well, given the difficulty of finding further major savings in this portion of the budget. The distinction of the 1995 caps lies in their shift in the target for cuts, from defense to domestic discretionary spending.

The integrity of reconciliation bills has somewhat improved, especially as regards spending reduction. In the 1990s, fewer measures that increase spending were added. On the revenue side, however, the situation is more complicated. Most reconciliation bills complemented spending cuts with tax increases to lower the deficit. But tax policy was somewhat fractured, as tax cuts enacted outside the budget process offset some of the deficit reduction achieved through reconciliation. While tax policy was unified in the 1995 reconciliation bill, that policy—the $245 billion tax cut—contradicted the objective of reconciliation, i.e., deficit reduction. The result was a fractured fiscal policy.

The veto of the ambitious reconciliation bill of 1995 and the failure to complete the reconciliation process directed in the 1996 budget resolution suggest that Congress may have overreached. Agreement could not be forced on all the changes needed to undo a quarter century of deficit financing into a single bill and put into law within a single year. It is one thing to follow Willie Sutton's advice and tackle entitlements to reduce the deficit. It is another thing to overhaul welfare, both of the major federal health care programs, and the agricultural subsidy system while simultaneously making major tax reductions. A single reconciliation bill or even three separate bills completed in a single year may be incapable of carrying this kind of fiscal freight, and the policy implications it entails, to the end of the line. President Clinton's veto reminds us that budget reconciliation cannot substitute for policy reconciliation.

How then are the major entitlements to be reformed to reduce spending if not through reconciliation? To this question there are no simple answers. Summitry is not a suitable candidate, because it is biased towards spending and revenue aggregates rather than policy. It does, however, engage both Congress and the executive branch on these aggregates, which must occur sooner or later if legislation is to succeed. Summitry may contribute by resolving a limited number of residual issues served up by other, more deliberative processes. The mixed history of national or blue ribbon commissions, e.g., the National Economic Commission of 1988–89 and the Bipartisan Commission on Entitlement and Tax Reform of 1994, inspires little confidence, but could be tried again.

Allocating major portions of the time and energy of a Congress to a problem such as health care reform is worth another try as well, the 1994 experience with health care notwithstanding. Devoting a single Congress to reform of a single major entitlement program might produce smaller but more focused reconciliation bills with a greater likelihood of passage. This occurred unintentionally in the 1996 welfare reform bill. Four Congresses working over an eight-year period would be sufficient. The agenda would include only the four large and rapidly growing entitlements: Medicare, Medicaid, Social Security and federal retirement, which make up 80 percent of the total. The idea would be to develop consensus on the separate critical components of entitlement spending, one piece at a time.

A rolling, multi-year approach to reconciliation and entitlement reform has many and obvious liabilities. For example, it begs the critical question of how much each reform initiative would contribute to deficit reduction and how one Congress might bind another. It would also sacrifice some of the political legitimacy and discipline associated with single-shot, single-year deficit reduction through reconciliation, i.e., it would become pension reform or health care reform rather than balancing the budget.

Finally, elections are clearly part of the answer, and several may be needed to develop the electoral support needed for major entitlement reform. Whether implemented piecemeal or through sweeping measures such as the 1995 bill, campaigns and elections are critical. Elected officials, one observer noted, cannot perform "fiscal surgery without the patient's permission."[73] This assumes, somewhat heroically, that the primacy of deficit reduction and the fiscal, equity and generational implications of entitlement programs will be part of the campaigns.

NOTES

1. The amendment passed the House on January 26, 1995, by a vote of 300 to 132. It failed in the Senate on March 2, 1995, by a vote of 65 to 35. Senator Dole originally voted in favor of the amendment, leaving the measure one vote short of the 67 needed for a two-thirds majority in the Senate. He then changed his vote to "no" in a procedural maneuver allowing him to call for another vote at a later date.
2. Congressional Budget Office, *The Economic and Budget Outlook: An Update* (Aug. 1996), 9; and the Economic and Budget Outlook: Fiscal Years 1997–2006 (May 1996), 134–35.
3. Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1996–2000* (Jan. 1995), 57.
4. Social Security, which cannot be changed through reconciliation, is the notable exception.
5. Congressional Budget Office, *The Economic and Budget Outlook: An Update* (August 1996), 36.
6. US Senate, Committee on the Budget, Summary of Reconciliation Instructions, From Budget Resolution to Public Law, Fiscal Year 1981-1991 (1991).
7. US Senate, Committee on the Budget, *Gramm-Rudman-Hollings and the Congressional Budget Process, An Explanation* (Washington, D.C.: USGPO, 1985), 14.
8. Allen Schick, *The Whole and the Parts: Piecemeal and Integrated Approaches to Congressional Budgeting,* (US House of Representatives, Committee on the Budget, 1987), 18.
9. Aaron Wildavsky, *The New Politics of the Budgetary Process* (Glenview, IL: Scott, Foresman, 1980), 260.
10. Robert Keith, "Budget Reconciliation in 1981," *Public Budgeting and Finance* Vol. 1, No. 4 (1981): 37–47; Allen Schick, *Reconciliation and the Congressional Budget Process* (Washington, D.C.:

American Enterprise Institute, 1981); Idem, *The Whole and the Parts*, US House of Representatives, Committee on the Budget, *A Review of the Reconciliation Process* (Washington, D.C.: USGPO, 1984); and John Gilmour, *Reconcilable Differences? Congress , The Budget Process and the Deficit* (Berkeley: University of California Press, 1990).

11. Schick, *Reconciliation and the Congressional Budget Process.*
12. Steven Schier, A *Decade of Deficits, Congressional Thought and Fiscal Action* (New York: State University of New York Press, 1992), 91.
13. Second budget resolutions were used between 1976 and 1981, the last year in which a second resolution was necessary. That same year a rule was passed providing that the first resolution would become final if there was no second resolution by October. Gramm-Rudman-Hollings I amended the Congressional Budget Act to eliminate the use of multiple budget resolutions. (US Senate, Committee on the Budget, Gramm-Rudman-Hollings and the Congressional Budget Process), 15.
14. The first significant reconciliation bill, passed in 1981, not only reduced entitlements but also cut spending for annual or discretionary appropriations. More than two-thirds of the deficit reduction achieved in the 1981 bill resulted from discretionary spending cuts. Between 1981 and 1990, reconciliation targeted only entitlements, leaving discretionary programs to the normal authorization-appropriations process. Keith, 42.
15. Allen Schick, *Five Reforms in Search of Budget Control: Congress Versus the Federal Budget.* (Congressional Research Service, 1992).
16. Robert Keith and Edward Davis, Omnibus Budget Reconciliation Legislation: The Timing of Legislative Action (Congressional Research Service, 1994), 7–8.
17. Reconciliation was first used in 1975, under the multiple budget resolution formula, to implement a tax cut. Until 1995, all subsequent reconciliation bills except the 1981 bill incorporated tax increases.
18. Gilmour; Keith; Joseph White and Aaron Wildavsky, *The Deficit and the Public Interest* (Berkeley: University of California Press, 1989); David Stockman, *The Triumph of Politics* (New York: Harper & Row, 1986) and Richard Fenno, *The Emergence of a Senate Leader, Pete Domenici and the Reagan Budget* (Washington, D C: Urban Institute Press, 1991).
19. James Miller and James Range, "Reconciling an Irreconcilable Budget: The New Politics of the Budget Process," *Harvard Journal on Legislation* Vol. 20, No. 1 (1983): 9.
20. Keith and Davis, 2; George Hager, "Harsh Rhetoric on Budget Spells Dismal Outlook," *Congressional Quarterly* (Dec. 9, 1995).
21. Stanley Collender, *The Guide to the Federal Budget, Fiscal Year 1991* (Washington, D C.: Urban Institute Press, 1990), 77–79
22. US House of Representatives, Committee on Appropriations, *Views and Estimates on the Budget Proposed for Fiscal Year 1991* (1990).
23. Richard Doyle and Jerry McCaffery, "The Budget Enforcement Act of 1990: The Path to No Fault Budgeting," *Public Budgeting and Finance* Vol. 11, No. 1 (1991).
24. Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options* (1994), 5, 7.
25. H.Rept., 104–159, *Concurrent Resolution on the Budget for Fiscal Year 1996*, 24–25; and H.Rept. 104–612, *Concurrent Resolution on the Budget for Fiscal Year 1997*, 23–24.
26. Allen Schick, "Deficit Budgeting in the Age of Divided Government," in Marvin Kosters, ed., *Fiscal Politics and the Budget Enforcement Act* (Washington, D.C.: American Enterprise Institute, 1992), 25.
27. Congressional Budget Office, *Final Sequester Report for Fiscal Year 1993* (Oct. 19, 1992).
28. Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1992–1996* (Jan., 1991), 47.
29. 2USC special reconciliation process.
30. 2USC 665c reconciliation directives regarding pay-as-you-go.
31. 2USC extraneous matters in reconciliation legislation.

32. Collender, *The Guide to the Federal Budget,* 67–77.
33. Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1992–1996,* 51 and Office of Management and Budget, Within-session OMB Sequester Report to the President and Congress For Fiscal Year 1991 (1991).
34. 2USC 902 enforcing pay-as-you-go.
35. George Hager, "New Rules on Taxes, Spending May Mean Budget Standoff," *Congressional Quarterly* (Jan. 26, 1991): 236.
36. That was the apparent intent of the Senate Labor and Human Resources Subcommittee with regard to the Head Start program, and of the Human Resources Subcommittee of the House Ways and Means Committee with regard to child welfare programs in 1991. Allen Schick, *Testimony before the Task Force on Budget Process, Reconciliation, and Enforcement, House Committee on the Budget* (Oct. 10, 1991), 5. It was also the motivation behind the attempt to convert higher education funding (Pell grants) into an entitlement program in 1992. Jill Zuckerman, "Senators Boost College Aid in Renewing 1965 Act," *Congressional Quarterly* (Feb. 22, 1992): 406-9.
37. Congressional Budget Office, *An Analysis of the Administration's Future Years Defense Program for 1995–1999* (1995).
38. "What we have now," Herbert Stein observed, "are resolutions commanding the tide not to roll in." Editorial, "What Happened," *Wall Street Journal* (May 31, 1995): A16.
39. US Senate, Committee on the Budget, *The 1996 Budget: A Status Report* (1995).
40. Congressional Budget Office, *The Economic and Budget Outlook: An Update,* 37.
41. Allen Schick, *Congress and Money: Budgeting, Spending and Taxing* (Washington, D.C.: Urban Institute Press, 1980), 483.
42. Rudolph Penner and Alan Abramson, *Broken Purse Strings, Congressional Budgeting,* 1974–1988 (Washington, D.C.: Urban Institute Press, 1988), 49.
43. Allen Schick, *The Capacity to Budget* (Washington, D.C.: Urban Institute Press, 1990), 135.
44. White and Wildavsky, *The Deficit and the Public Interest,* 80.
45. Joel Havemann, "The Congressional Budget Process and Tax Legislation," in Rudolph Penner, ed.. *The Congressional Budget Process After Five Years* (Washington, D.C.: American Enterprise Institute), 182.
46. Lawrence Kudlow used this analogy on the television program *The McLaughlin Group,* March 26, 1995.
47. For an explanation of this process, see Congressional Budget Office, *The Economic and Budget Outlook: An Update* (August 1995), 40.
48. Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1996–2000,* 96.
49. Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options* (Feb., 1995), 219.
50. Congressional Budget Office, *The Economic and Budget Outlook: An Update* (August 1995), 24.
51. CBO estimated 1993 outlays for Social Security at $302.0 billion and defense at $292.4 billion. *The Economic and Budget Outlook* (1995)
52. For programmatic and budget data on federal entitlement programs, see Congressional Research Service, *Entitlements and Other Mandatory Spending,* 1992 and US House of Representatives, Committee on Ways and Means, *Overview of Entitlement Programs, 1994 Green Book* (1994).
53. R. Kent Weaver, *Automatic Government, The Politics of Indexation* (Washington, D.C.: The Brookings Institution, 1988), 1.
54. Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1996–2000,* 43.
55. Virginia McMurtry, *Rescissions by the President Since 1974: Background and Proposals for Change* (Congressional Research Service, 1989), 7
56. H.Rept., 102–530, *Rescinding Certain Budget Authority and for Other Purposes,* Conference Report, 46.
57. Congressional Budget Office, *Emergency Supplementals & Rescissions,* 1995.

58. Joseph White, "Budgeting and Health Policymaking," in Thomas Mann and Norman Ornstein. eds. *Intensive Care: How Congress Shapes Health Policy* (Washington, D.C.: American Enterprise Institute and The Brookings Institution, 1995), 60.
59 Allen Schick, *The Whole and the Parts*, 28.
60. US Senate, Committee on the Budget, *Mark-up Budget Reconciliation Bill For Fiscal Year 1990* (transcript).
61. Editorial (Sept. 21, 1989).
62. Anne Swardson, "Programs Proposed by Bush, Congress Could Trigger Budget Cuts," *Washington Post* (Sept. 8, 1989): A4.
63. Pete Domenici, US Senator, *Letter to Members of the Senate* (Sept. 29 1989).
64. Jim Sasser, US Senator, *Avoiding Sequester* (Press Release), (Oct. 2, 1989).
65. US House of Representatives, Committee on the Budget, *Restoring America's Future: Preparing the Nation For the 21st Century.* Serial No. CP-5, 1991.
66. For a brief history of entitlement caps, see William Dauster, "Budget Process Issues for 1993," *Journal of Law and Politics* Vol. IX (1992): 27–31.
67. *Congressional Record,* April 10, 1992.
68. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 1993, Director's Introduction* (1992).
69. *Executive Order 12857* (Aug. 4, 1993).
70. The executive order affects only the actions of the president. The actions required of the House were put into effect by the adoption of House rules.
71. CBO, Federal Budget Effects of H.R. 3734, *The Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, September 1, 1996.
72. The extension of the caps in 1995 would have generated about 15 percent of the total savings in reconciliation. However, for technical reasons, the caps were incorporated in the budget resolution, to be enforced through points of order, but not in the reconciliation bill itself as was done in 1990 and 1993. The Byrd rule, waived in 1990 and 1993, was successfully invoked in 1995 to prohibit including the extension of the discretionary spending caps in the reconciliation bill.
73. Jonathon Rauch, "Supply-Side Democrat," *The New Republic* (Sept. 28, 1992): 26